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C O N F I D E N T I A L SECTION 01 OF 04 BAKU 000090

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SUBJECT: AZERBAIJANI FOREIGN MINISTER DISCUSSES ENERGY AND  
ALBORZ ISSUES

REF: STATE 08752

Classified By: Ambassador Anne E. Derse for reasons 1.4(b) and (d).

¶1. (C) Summary: Azerbaijani Foreign Minister appeared unaware that Iran may soon move the Alborz oil rig, while noting that Azerbaijan would respond through diplomatic and legal means if Iran moves the rig into disputed waters. Mammadyarov raised the need for an EU energy summit in Brussels, concluding with a declaration on diversification, to provide Turkmen President Berdimukhamedov and Kazakh President Nazarbayev with political cover vis-a-vis Moscow. To move ahead on Trans Caspian options, Mammadyarov did not rule out an IEA conference in Baku or an EU Ministerial on Nabucco, but said a higher level summit hosted by "the EU" in the person of EU Commission President Barroso was necessary to add substance to these lower-level forums. On a Turkish transit agreement, Mammadyarov said experts from both sides have crafted some options on Turkey's 15 percent netback position, but the issue is political and the respective heads of state needed to resolve it. Mammadyarov said SOCAR is waiting to conclude this gas transit agreement with Turkey before moving to conclude commercial agreements regarding Nabucco and TGI. Mammadyarov also addressed human rights issues, pledging to look into the ongoing tax investigation of Chap Evi and suggesting that Russia was saying the U.S. is prompting the Council of Europe to focus on political prisoners in Azerbaijan. End Summary.

In the Dark about Alborz  
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¶2. (C) The Ambassador reviewed reftel points on an anticipated Iranian movement of the Alborz oil rig. Mammadyarov expressed thanks for the information, but appeared to be new to him. He said he "needed to check" on this issue with the State Border Service. If Tehran moves the Alborz into disputed waters, Mammadyarov said, Baku would rely on "strong diplomatic pressure" and a legal effort in international courts to show that Tehran was violating international law. Mammadyarov said that Azerbaijan could reach out to the International Court of Justice in the Hague and would win, and added that Iran would not want to be seen to be in violation of international law on this matter. Mammadyarov characterized a potential Iranian decision to move into the disputed section of the Caspian as "stupid and suicidal" and violating a gentlemen's agreement, while observing that he had been expecting an Iranian response to Azerbaijan's trial of the 15 Mahdi Army members. (NOTE: In

December, the Baku Court of Grave Crimes sentenced Said Dadashbayli and fourteen other individuals on charges of plotting a coup with the support of the IRGC. The GOAJ publicized the issue provoking a sharp public and diplomatic exchange with Tehran.) He agreed to follow up once he was better informed.

#### Energy Update

13. (C) The Ambassador requested Mammadyarov's feedback on an IEA request to hold a Baku-based conference and the separate idea of an EU Ministerial on Nabucco in Brussels, possibly chaired by EU Commissioner Piebalgs. Mammadyarov instead proposed an EU energy summit in Brussels -- not lower-level conferences in Baku -- as key to give Turkmen President Berdimukhamedov and Kazakh President Nazarbayev the political cover they seek vis-a-vis Moscow to explore Trans Caspian options. Mammadyarov said Piebalgs was "a nice guy," but not at the right level because "a commissioner cannot take on Putin." Mammadyarov suggested EU Commission President Barroso would be a better option and that President Aliyev would attend if Barroso hosted a summit in Brussels.

14. (C) Mammadyarov said an EU Summit -- similar to the Heads of State meeting that launched the BTC -- resulting in a declaration signed by all attendees - including Russia - on the importance of diversification should be the next step in moving the ball forward on Trans Caspian energy plans. Such a declaration would provide the political cover Turkmenistan and Kazakhstan, in particular, need to pursue Trans Caspian options. Mammadyarov indicated that while other lower-level conferences could be held, this type of high-level summit was

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a necessary first step. Mammadyarov said that while some in Brussels floated the idea of a summit in Baku, Brussels is a better location in ensuring senior EU participation and alleviating Berdimukhamedov's jitters vis-a-vis Moscow. He commented that Khazakh President Nazarbayev is ready to engage more actively on Trans Caspian options now as he is frustrated with Russian pressure on Samar. Mammadyarov suggested that key European states attend, with invitations extended to Azerbaijan, Georgia, Russia, Kazakhstan, Turkmenistan, and Uzbekistan. Mammadyarov criticized EU states for only paying lip service to diversification, saying that U.S. assistance would be necessary in encouraging the EU to host and participate in such a summit. Mammadyarov underscored the importance of high level USG representation at such a summit, noting that if Vice President Cheney attended, this would ensure participation by Caspian and other heads of state.

15. (C) Referring to the highly successful discussions in Ashgabat between Azerbaijan and Turkmenistan (septels), Mammadyarov emphasized that "the time is right now" for the U.S. to be more engaged in discussing Caspian gas transit issues with Turkmenistan. Mammadyarov said Berdimukhamedov is likely to go to Brussels soon and that if Berdimukhamedov goes, the U.S. should interpret this as a green light to be intensify its efforts to encourage Ashgabat to send gas across the Caspian. In an aside, Mammadyarov said the future Turkmen Ambassador to Azerbaijan is not impressive, noting that in this part of the world, the most important qualification is good relations with the head of state.

16. (C) Concerning gas transit negotiations with Turkey, Mammadyarov said with frustration that, "I cannot tell you much new." Although the Turkish 15 percent netback position is "a little melted," with SOCAR and Ankara trying to come up with some options, the issue is still at an impasse. Mammadyarov said this issue needed to be solved at the "very top" by the presidents, although technical experts should be proposing options.

17. (C) Mammadyarov said SOCAR was seeking to resolve gas

transit negotiations with Turkey before seeking to sign supply contracts with Nabucco and TGI, since a transit agreement was an essential prerequisite to define the terms for any commercial contracts. Mammadyarov mentioned that SOCAR plans on opening an office in Vienna in February to work with OMV. (Comment: OMV recently opened an office in Baku. End Comment). Mammadyarov downplayed the likelihood of South Stream coming to fruition. He noted Azerbaijan's interest in supplying gas to Europe is political, focused on enhancing Azerbaijan's independence for the long term. Mammadyarov said President Aliyev's interest in meeting Europe's gas demand is primarily focused on benefiting the next generation of Azerbaijanis.

18. (C) The Ambassador said transit talks and commercial negotiations concerning Nabucco and TGI are important for assuring Europe that Azerbaijani is serious about exporting gas to European markets. The Ambassador assured Mammadyarov that the U.S. will keep pressing Turkey and TGI partners to reach a fair gas transit deal, while giving Azerbaijan negotiating time and space to negotiate an acceptable agreement. Mammadyarov noted pointedly that while he was "not sure where the 15 percent net back idea had come from, it was a bad idea and had to be fixed. In response to the Ambassador's question on the Edison proposal for a four-way intergovernmental agreement among Azerbaijan-Turkey-Greece-Italy to help solve the 15 percent problem, Mammadyarov said he was not familiar with the idea, but he would check with SOCAR.

19. (C) Mammadyarov said President Aliyev will travel to Budapest in mid-February and to Poland at the end of February. Asked if Azerbaijan supplying gas was on the agenda for these trips, Mammadyarov said President Aliyev will "talk seriously" about Nabucco while in Budapest. Mammadyarov urged the USG to send a senior U.S. representative to the May 23 Kyiv energy summit. The Ambassador said the U.S. is still waiting on the appointment of a special energy envoy, although Ambassador Steven Mann's new position is allowing him to focus on Eurasian energy developments. Mammadyarov said he would welcome a visit by

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U/S Reuben Jeffery to discuss the desirability of a potential EU energy summit. He asked when the next round of bilateral Energy Cooperation talks in Baku could be held, suggesting the visit of U/S Jeffery would be a good opportunity.

110. (C) The Ambassador asked for Mammadyarov's help in getting answers to the U.S. questions regarding Azerbaijan's critical energy infrastructure protection plans. Mammadyarov said he sent the questions out to various ministries and "to keep checking" with Deputy Foreign Minister Araz Azimov.

TEP  
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111. (C) The Ambassador said a potential U.S. Train and Equip Program (TEP) offer to Azerbaijan needed to be linked to an Azerbaijani commitment to deploy a battalion to Afghanistan. Mammadyarov confirmed President Aliyev's interest in the TEP, saying some items in the U.S. TEP paper needed to be negotiated and asking for another discussion.

Political Reform Issues  
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112. (C) The Ambassador raised the ongoing tax investigation of the independent Chap Evi (Publishing House), noting that she hoped the investigation was routine and not politically-motivated. Mammadyarov said he would talk to Presidential Administration Chief of Staff Ramiz Mehdiyev about the case, while noting that even Heydar Babayev's relatives' businesses have been investigated for tax purposes.

113. (C) Mammadyarov said Parliamentary MP and head of the

Azerbaijani delegation to PACE Samad Seyidov, who recently returned from the CoE Parliamentary Assembly's January session in Strasbourg, informed him of rumors that the U.S. was trying to raise the political prisoner issue at the Council of Europe (CoE), suggesting that this could be Russian effort to sour U.S.-Azerbaijani relations. Mammadyarov said he is engaged on this issue and he has encouraged Seyidov to meet with NGOs and to understand why NGOs believe some individuals are political prisoners. Mammadyarov said everyone knows PACE Monitoring Group head Andreas Gross is "fully in Russia's pocket." Mammadyarov said the political prisoner issue is "not helpful" and the CoE "cannot dictate to us what to do," but that he was engaged in trying to encourage the GOAJ to address the matter seriously.

¶14. (C) Mammadyarov said the MFA has prepared a response to Dan Fried's letter to Mammadyarov, and Azerbaijani Ambassador Yashar Aliyev will soon contact the Department to deliver it.

NEC

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¶15. (SBU) Noting that the January 11 deadline to sign a lease on the NEC had passed, the Ambassador asked for Mammadyarov's help in securing a meeting with Deputy Foreign Minister Khalafov and the MFA's Legal Department to finalize the lease language. She noted that further delays would jeopardize funding for construction to start this fiscal year. Mammadyarov said that Khalafov had been in Moscow for border delimitation talks but was due back in Baku at the end of this week. He promised to help push for a meeting. (We have since scheduled a meeting for February 4 with lawyers at the Presidential Apparat and will report developments after that meeting.)

COMMENT

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¶16. (C) Mammadyarov was deeply appreciative for the Alborz information and our effort to share it. Although he did not appear aware of the move, he had clearly been expecting an Iranian response to the dipnote over the Mahdi Army arrests. He was as enthusiastic as other Azerbaijani interlocutors at the new state in Azerbaijan-Turkmenistan relations after the successful January 17 bilateral commission, and eager to use the opening to forge ahead on Caspian gas issues. He was convinced that a high level energy summit focused on energy diversification is needed to send a sharp signal of U.S.,

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European and Caspian interest in the Trans Caspian project. His willingness to look into the CAP EUI tax investigation and the political prisoner issue are welcome evidence that he feels newly empowered, as he previously noted (reftel) by the President to engage on democracy/political reform issues.  
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